

FEDERAL ELECTION COMMISSION

In the matter of:

Friends of Herman Cain, Inc.
Mark J. Block, personally and as
Treasurer Prosperity USA, Inc.
(a/k/a America's Prosperity Network, Inc.)

MUR No. 6509

RECEIVED
FEDERAL ELECTION
COMMISSION
2011 NOV -4 PM 12:41
OFFICE OF GENERAL
COUNSEL

COMPLAINT

1. Citizens for Responsibility and Ethics in Washington ("CREW") and Melanie Sloan bring this complaint before the Federal Election Commission ("FEC") seeking an immediate investigation and enforcement action against Friends of Herman Cain, Mark J. Block, both personally and as treasurer of Friends of Herman Cain, and Prosperity USA, Inc. (a/k/a America's Prosperity Network, Inc.) for direct and serious violations of the Federal Election Campaign Act ("FECA").

Complainants

2. Complainant CREW is a non-profit corporation, organized under section 501(c)(3) of the Internal Revenue Code. CREW is committed to protecting the right of citizens to be informed about the activities of government officials and to ensuring the integrity of government officials. CREW is dedicated to empowering citizens to have an influential voice in government decisions and in the governmental decision-making process. CREW uses a combination of research, litigation, and advocacy to advance its mission.

3. In furtherance of its mission, CREW seeks to expose unethical and illegal conduct of those involved in government. One way CREW does this is by educating citizens regarding the integrity of the electoral process and our system of government. Toward this end, CREW monitors the campaign finance activities of those who run for federal office and publicizes those

who violate federal campaign finance laws. Through its website, press releases and other methods of distribution, CREW also files complaints with the FEC when it discovers violations of the FECA. Publicizing campaign finance violators and filing complaints with the FEC serves CREW's mission of keeping the public informed about individuals and entities that violate campaign finance laws and deterring future violations of campaign finance law.

4. In order to assess whether an individual, candidate, political committee or other regulated entity is complying with federal campaign finance law, CREW needs the information contained in receipts and disbursements reports that political committees must file pursuant to the FECA, 2 U.S.C. § 434(a)(2); 11 C.F.R. § 104.1. CREW is hindered in its programmatic activity when an individual, candidate, political committee or other regulated entity fails to disclose campaign finance information in reports of receipts and disbursements required by the FECA.

5. CREW relies on the FEC's proper administration of the FECA's reporting requirements because the FECA-mandated reports of receipts and disbursements are the only source of information CREW can use to determine if a candidate, political committee, or other regulated entity is complying with the FECA. The proper administration of the FECA's reporting requirements includes mandating that all reports of receipts and disbursements required by the FECA are properly and timely filed with the FEC. CREW is hindered in its programmatic activity when the FEC fails to properly administer the FECA's reporting requirements.

6. Complainant Melanie Sloan is the executive director of Citizens for Responsibility and Ethics in Washington, a citizen of the United States, and a registered voter and resident of the District of Columbia. As a registered voter, Ms. Sloan is entitled to receive information contained in reports of receipts and disbursements required by the FECA, 2 U.S.C.

§ 434(a)(2); 11 C.F.R. § 104.1. Ms. Sloan is harmed when a candidate, political committee or other regulated entity fails to report campaign finance activity as required by the FECA. See *FEC v. Akins*, 524 U.S. 11, 19 (1998), quoting *Buckley v. Valeo*, 424 U.S. 1, 66-67 (1976) (political committees must disclose contributors and disbursements to help voters understand who provides which candidates with financial support). Ms. Sloan is further harmed when the FEC fails to properly administer the FECA's reporting requirements, limiting her ability to review campaign finance information.

Respondents

7. Friends of Herman Cain, Inc. is the principal campaign committee of Herman Cain, a candidate for the Republican nomination to be President of the United States.

8. Mark J. Block is the treasurer of Friends of Herman Cain, Inc. At all times relevant to this complaint, Mark J. Block was also the president of Prosperity USA, Inc.

9. Prosperity USA, Inc. is a Wisconsin non-stock, not-for-profit corporation. Prosperity USA, Inc. was incorporated in Wisconsin by Mark J. Block on April 12, 2010 under the name America's Prosperity Network, Inc. See Articles of Incorporation attached hereto as Exhibit 1. Mark J. Block changed the name of the corporation to Prosperity USA, Inc. on August 30, 2010. See Articles of Amendment attached hereto as Exhibit 2.

Factual Allegations

10. On October 30, 2011, the *Milwaukee Journal Sentinel* reported that the internal financial records of Prosperity USA, Inc. reflected a debt of approximately \$40,000 owed to Prosperity USA, Inc. by Friends of Herman Cain for services provided to the campaign in February and March 2011. See Daniel Bice, State Firm's Cash to Herman Cain May Breach Federal Campaign, Tax Laws, *Milwaukee Journal Sentinel* (Oct. 30, 2011) (attached hereto as

Exhibit 3). The internal financial records indicate Prosperity USA, Inc. paid for, among other things, campaign travel to Iowa, Los Angeles, Las Vegas, Houston and Dallas as well as campaign iPads. See Prosperity USA, Inc. internal financial documents attached here to as Exhibit 4. The internal financial records also indicate these campaign expenditures were authorized and incurred by Mark J. Block, who was simultaneously president of Prosperity USA, Inc. and treasurer of Friends of Herman Cain. *Id.*

11. The 2011 July 15th Quarterly Report and the 2011 October 15th Quarterly Report filed by Mark J. Block in his capacity as treasurer of Friends of Herman Cain do not reflect any debts owed by Friends of Herman Cain to Prosperity USA, Inc.

COUNT I

12. FECA and FEC regulations prohibit corporations from making contributions in connection with any federal election. 2 U.S.C. § 441b(a) and 11 C.F.R. § 114.2(a).

13. By using corporate funds to pay for campaign expenses of Friends of Herman Cain, Prosperity USA, Inc. and Mark J. Block, as president of Prosperity USA, Inc., knowingly and willingly violated both 2 U.S.C. § 441b(a) and 11 C.F.R. § 114.2(a).

COUNT II

14. FEC regulations prohibit corporate officers from facilitating the making of contributions to candidates for federal office. 11 C.F.R. § 114.2(f).

15. By authorizing the use of corporate funds to pay for campaign expenses of Friends of Herman Cain, Mark J. Block, as president of Prosperity USA, Inc., knowingly and willingly violated 11 C.F.R. § 114.2(f).

COUNT III

16. FECA and FEC regulations prohibit the principal campaign committee of a candidate for federal office from knowingly accepting a contribution from a corporation. 2 U.S.C. § 441b(a) and 11 C.F.R. § 103.3(b).

17. By accepting the payment of campaign expenses by Prosperity USA, Inc., Friends of Herman Cain and Mark J. Block, as treasurer of Friends of Herman Cain, knowingly and willingly violated 2 U.S.C. § 441b(a) and 11 C.F.R. § 103.3(b).

COUNT IV

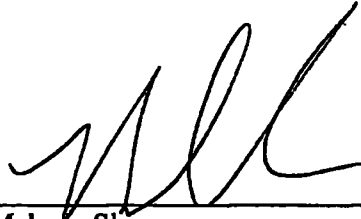
18. FECA and FEC regulations require the principal campaign committee of a candidate for federal office to report the amount and nature of any outstanding debts owed by the committee. 2 U.S.C. § 434(b)(8) and 11 C.F.R. § 104.11.

19. By failing to report an outstanding debt of approximately \$40,000 owed by Friends of Herman Cain to Prosperity USA, Inc., Friends of Herman Cain and Mark J. Block, as treasurer of Friends of Herman Cain, knowingly and willfully violated both 2 U.S.C. § 434(b)(8) and 11 C.F.R. § 104.11.

CONCLUSION

WHEREFORE, Citizens for Responsibility and Ethics in Washington and Melanie Sloan request that the Federal Election Commission conduct an investigation into these allegations, declare the respondents to have violated the Federal Election Campaign Act and applicable FEC regulations, and impose sanctions appropriate to these violations and take such further action as

may be appropriate, including referring this case to the Justice Department for criminal prosecution of any violations of 2 U.S.C. § 441b(a).



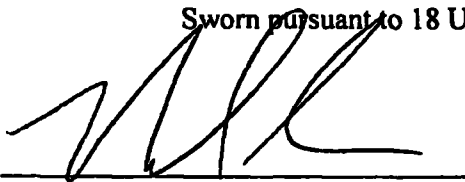
Melanie Sloan
Executive Director
Citizens for Responsibility and Ethics
in Washington
1400 Eye Street, N.W.
Suite 450
Washington, DC 20005
(202) 408-5565 (phone)
(202) 588-5020 (fax)

15044380484

Verification

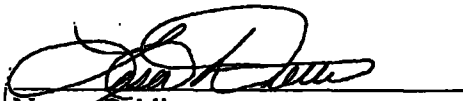
Citizens for Responsibility and Ethics in Washington and Melanie Sloan hereby verify
that the statements made in the attached Complaint are, upon information and belief, true.

Sworn pursuant to 18 U.S.C. § 1001.



Melanie Sloan

Sworn to and subscribed before me this 3rd day of November, 2011.



Notary Public

**Lisa Drew
District of Columbia, Notary Public
My Commission Expires
July 31, 2014**

153044380486

EXHIBIT 1

RECEIVED - DEPT OF
FINANCIAL INSTITUTIONS
STATE OF WISCONSIN

2010 APR 12 AM 10:34

APR 12 2010 10:47 AM
\$35.00
19891 DCORP

\$35.00

ABK
✓

ARTICLES OF INCORPORATION

AMERICA'S PROSPERITY NETWORK, INC.

The undersigned adopts these Articles of Incorporation for the purpose of forming a Wisconsin non-stock, not-for-profit corporation under Chapter 181 of the Wisconsin Statutes, repealed and recreated by 1997 Act 79.

ARTICLE I

NAME

The name of the Corporation shall be the America's Prosperity Network, Inc. (Hereafter, the "Corporation").

ARTICLE II

ORGANIZATION

The Corporation is organized under Chapter 181 of the Wisconsin Statutes (the "Act").

ARTICLE III

REGISTERED AGENT, REGISTERED OFFICE, AND PRINCIPAL OFFICE

The Corporation's initial registered agent shall be Mark J. Block. The address of the Corporation's initial registered office and business address of its initial principal office shall be 1025 South 108th Street, Suite 201, West Allis, WI 53214. The Corporation's mailing address shall be America's Prosperity Network, P.O. Box 510626, New Berlin, WI 53151.

ARTICLE IV

ORGANIZATION, PURPOSE AND PRINCIPLES, AND ACTIVITIES

SECTION 1. ORGANIZATION.

The Corporation is organized and shall be operated as a public interest, not-for-profit organization for charitable and educational purposes as provided by § 501(c)(3) of the United States Internal Revenue Code of 1986 as amended or substituted hereafter (the "IRC").

SECTION 2. PURPOSES AND FOUNDING PRINCIPLES:

The Corporation will provide education and information to its members and to the general public regarding public affairs and policy affecting the United States of America. It will advance and defend principles of individual freedom and ordered liberty, open and limited government, free enterprise, and personal responsibility, and will provide support and services for other public interest, not-for-

A062726

profit organizations characterized by similar purposes and principles.

SECTION 3. ACTIVITIES.

The Corporation shall engage in all activities its directors deem necessary or appropriate to carry out its purposes and as are permitted to corporations established for the purposes provided under § 501(c)(3) of the IRC.

ARTICLE V POWERS AND STATUS

SECTION 1. POWERS.

The Corporation shall have all powers not inconsistent with these Articles of Incorporation which are provided by the Act or which are necessary or proper to achieve its purposes and to transact its business and activities.

SECTION 2. STATUS AND RESTRICTION TO CHARITABLE PURPOSES AND PERMITTED ACTIVITIES.

Notwithstanding any other provisions of these Articles, all activities and funds of the Corporation shall be carried on and used exclusively for charitable, educational, and other programs and activities permitted under the IRC which benefit the Corporation and accomplish its purposes including, without limitation, making distributions to organizations that qualify as exempt organizations under § 501(c)(3) of the IRC.

The Corporation's activities and funds shall not inure to the benefit of, or be distributable to, its directors, officers, members, or other private persons. Notwithstanding the foregoing, the Corporation is authorized and empowered to pay reasonable compensation and expenses for services rendered by its directors, officers, employees, and contractors, and to make payments, grants, and distributions in furtherance of its purposes and activities as permitted under the IRC.

No substantial part of the activities of the Corporation shall consist of attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publication or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

Notwithstanding any other provision of these Articles, the Corporation shall not carry on any other activities not permitted to be carried on by a corporation exempt from federal income tax under § 501(c)(3) of the IRC, or by a corporation, contributions to which are deductible under § 170(c)(2) of the IRC.

ARTICLE VI

BOARD OF DIRECTORS AND GOVERNANCE

The Corporation shall be governed solely by its Board of Directors in accordance with the Bylaws of the Corporation and the Act. Its affairs shall be managed by the Board and by such officers, employees and agents as may be appointed by the Directors or provided in the Bylaws of the Corporation. The Board shall consist of not less than three members. Each Director shall be elected

for a period of three years with terms staggered in a three year rotation. The Board shall nominate and elect successor or additional Directors as the Board determines or as is provided in the Bylaws.

ARTICLE VII

MEMBERS

The Corporation shall have legal and natural members which shall be admitted upon such terms and conditions and in such classes as the Board of Directors may determine in its sole discretion. Membership is a privilege to which no legal rights shall attach. Members shall not be entitled to vote, and shall have no authority in relation to any activities or others affairs of the Corporation.

ARTICLE VIII

AMENDMENT, ADOPTION AND RELATION OF ARTICLES AND BYLAWS

Amendments to these Articles may be made by a two-thirds vote of the members of the Board of Directors. Bylaws of the Corporation may be adopted and amended as provided in these Articles, the Bylaws, or the Act. No deletions may ever be made from the Corporation's purpose and principles provided in Article IV. However, additions may be made for the purpose of strengthening and clarifying the Corporation's purposes and principles, but only by vote of not less than three-fourths of all members of the Board of Directors. In the event of conflict between provisions of these Articles and the Bylaws, these Articles shall control.

ARTICLE IX

DISSOLUTION

Upon the dissolution of the Corporation, the Board of Directors shall, after paying or making provisions for the payment of all of the Corporation's liabilities, dispose of all the Corporation's remaining assets exclusively for the purposes of the Corporation by distributing the assets to other organizations whose purposes and activities are consistent with the Corporation's purposes provided in Article VII and which are recognized by the Internal Revenue Service as nonprofit, charitable organizations under § 501(c)(3) of the IRC.

IN WITNESS WHEREOF, the undersigned Incorporator has executed these Articles of Incorporation in duplicate at Waukesha, Wisconsin, this 9th day of April, 2010.



Michael D. Dean, Incorporator
20975 Sylvan Dr #125
Naukeshia WI 53126

NOTARY PUBLIC
STATE OF WISCONSIN

State of Wisconsin)

Waukesha County)

Personally came before me this 9th day of April, 2010, the above named Michael D. Dean, known to me to be the person who executed this instrument and acknowledged the same.

Brenda S. Dean
Notary Public, State of Wisconsin

My Commission Expires: 9-25-11

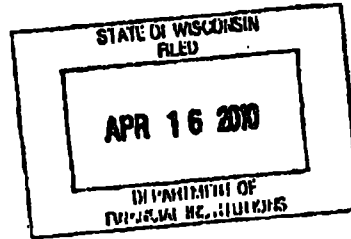
These Articles of Incorporation Drafted By

Michael D. Dean, LLC
Attorney at Law
20975 Swenson Drive
Suite 125
Waukesha, Wisconsin 53186
(262) 798 8044
State Bar No. 01019171



ARTICLES OF INCORPORATION
CHAPTER 181

\$35.00



140044M000401

14-00000-00000

EXHIBIT 2

Sec. 181.1005
Wis. Stats.

DEPT OF
FINANCIAL INSTITUTIONS
STATE OF WISCONSIN

2010 AUG 30 AM 10:08

State of Wisconsin
Department of Financial Institutions
Division of Corporate and Consumer Services

06 A062726
image



ARTICLES OF AMENDMENT - NONSTOCK CORPORATION

A. The present corporate name (prior to any change effected by this amendment) is:
America's Prosperity Network, Inc.

(Enter Corporate Name)

Text of Amendment (Refer to the existing articles of incorporation and the instructions on the reverse of this form. Determine those items to be changed and set forth the number identifying the paragraph being changed and how the amended paragraph is to read.)

RESOLVED, THAT the articles of incorporation be amended as follows:

ARTICLE I NAME

The name of the Corporation shall be Prosperity USA, Inc. (Hereafter, the "Corporation").

PO56082

OKPB

B. Amendment(s) adopted on July 31, 2010

(Indicate the method of adoption by checking (X) the appropriate choice below.)

☒ In accordance with sec. 181.1002, Wis. Stats. (By the Board of Directors)

OR

☐ In accordance with sec. 181.1003, Wis. Stats. (By Members)

OR

☐ In accordance with sec. 181.1004, Wis. Stats. (By Members voting by Class)

C. Approval by 3rd Person (Contingency Statement)

☐ Written approval for amending the articles of incorporation was obtained from the person whose approval is required by a provision of the articles of incorporation authorized under sec. 181.1030.

D. Executed on July 31, 2010

(Date)

(Signature)

Title: ☒ President ☐ Secretary
or other officer title

Mark J. Block

(Printed name)

This document was drafted by Michael D. Dean

(Name the individual who drafted the document)

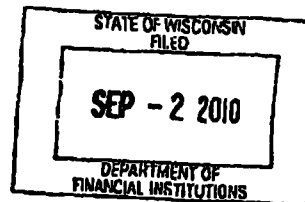
FILING FEE - \$25.00 See instructions, suggestions and procedures on following page
DFI/CCS/104(R02/10/04)

1 of 2

ARTICLES OF AMENDMENT (Ch. 181, Nonstock)

- *Changed Name*

Michael D. Dean, LLC
20975 Swenson Drive
Suite 125
Waukesha, WI 53186



▲ Your return address and phone number during the day: (262) 798 . 8044

\$25.00 fee

INSTRUCTIONS (Ref: sec. 181.1005 Wis. Stats. for document content)

Submit one original and one exact copy to Dept. of Financial Institutions, P O Box 7846, Madison WI, 53707-7846, together with a **FILING FEE** of \$25.00, payable to the department. Filing fee is non-refundable. (If sent by Express or Priority U.S. mail, address to 345 W. Washington Ave., 3rd Floor, Madison WI, 53703). The original must include an original manual signature, per sec. 181.0120(2), Wis. Stats. **NOTICE:** This form may be used to accomplish a filing required or permitted by statute to be made with the department. Information requested may be used for secondary purposes. If you have any questions, please contact the Division of Corporate & Consumer Services at 608-261-7577. Hearing-impaired may call 608-266-8818 for TDY.

A. Enter the name of the corporation (before any change effected by this amendment) and the text of the amendment(s). The text should recite the resolution adopted (e.g., "Resolved, that Article 1 of the articles of incorporation be amended to read: (set forth the amended article).

B. Enter the date of adoption of the amendment(s). If there is more than one amendment, identify the date of adoption of each. Mark (X) one of the three choices to indicate the method of adoption of the amendment(s).

By Board of Directors – Refer to sec. 181.1002 for specific information on the character of amendments that may be adopted by the Board of Directors without the approval of members with voting rights.

By Members – Adoption by members requires 2/3rd of votes cast or a majority of the voting power, whichever is less, except as conditioned by the articles of incorporation, bylaws, ss. 181.1002(1), 181.1030 or other provisions of Ch. 181, Wis. Stats.

By Members thru Class Voting – Refer to sec. 181.1004 for specific information on class voting by members.

C. Approval by Other Person – Amendment of the articles of incorporation may require the approval of a person other than the board or members, if so specified in the articles of incorporation under sec. 181.1030.

D. Enter the date of execution and the name and title of the person signing the document. The document must be signed by one of the following: An officer of the corporation (or incorporator if directors have not been elected), or a court-appointed receiver, trustee or fiduciary. A director is not empowered to sign.

If the document is executed in Wisconsin, sec. 182.01(3) provides that it shall not be filed unless the name of the person (individual) who drafted it is printed, typewritten or stamped thereon in a legible manner. If the document is not executed in Wisconsin, enter that remark.

15044480464

14-00000-1

EXHIBIT 3

JSOnline

Newswatch

Newswatch

Top Stories

More

» Home

 Boston Store

LOWEST

PRICES SO LOW YOU
DON'T NEED A COUPON!

[VIEW OUR CATALOG](#)

of the season

State firm's cash to Herman Cain may breach federal campaign, tax laws

By Daniel Bice of the Journal Sentinel

Oct. 30, 2011 | (210) Comments

Herman Cain's two top campaign aides ran a private Wisconsin-based corporation that helped the GOP presidential candidate get his fledgling campaign off the ground by originally footing the bill for tens of thousands of dollars in expenses for such items as iPads, chartered flights and travel to Iowa and Las Vegas - something that might breach federal tax and campaign law, according to sources and documents.

Internal financial records obtained by No Quarter show that Prosperity USA said it was owed about \$40,000 by the Cain campaign for a variety of items in February and March. Cain began taking donations for his presidential bid on Jan. 1.

Prosperity USA was owned and run by Wisconsin political operatives Mark Block and Linda Hansen, Cain's current chief of staff and deputy chief of staff, respectively.

The authenticity of the records was verified by two individuals close to the firm.

It is not known if Cain's election fund eventually paid back Prosperity USA, which now appears defunct. The candidate's federal election filings make no mention of the debt, and the figures in the documents don't match payments made by the candidate's campaign.

In addition to picking up these expenses at least initially, Prosperity USA also paid as much as \$100,000 to the Congress of Racial Equality, a conservative black organization, shortly before Cain was a featured speaker at the group's annual Martin Luther King Jr. dinner in mid-January.

Cain, who has surged to a top-tier presidential candidate in the past month, apparently was not paid for the appearance. The personal financial disclosure forms for the former CEO of Godfather's Pizza list no honorariums for speeches.

Election law experts say the transactions raise a host of questions for the private organization, which billed itself as a tax-exempt nonprofit, and the Cain team.

"If the records accurately reflect what occurred, this is way out of bounds," said a Washington, D.C.-based election lawyer who advises many Republican candidates and conservative groups on campaign issues. The lawyer asked not to be identified because of those affiliations.

Michael Maistelman, a Wisconsin campaign attorney, agreed.

"The number of questionable and possibly illegal transactions conducted on behalf of Herman Cain is staggering," said Maistelman, a Democrat who has represented politicians from both parties on campaign issues.

Block and Hansen have not returned numerous calls in recent days.

Late Friday, Block sent an email saying: "Will be able to respond to you, but need to schedule time to review questions. Obviously in the midst of a Presidential campaign I cannot drop everything."

For decades, Block worked behind the scenes for several conservative candidates and causes in Wisconsin. He is best known in the state for his role as campaign manager for former state Supreme Court Justice Jon Wilcox in 1997. Accused of election law violations, Block settled the case by agreeing to pay a \$15,000 fine and to stay out of Wisconsin politics for three years.

More recently, Block, 57, ran the state chapter of **Americans for Prosperity**, a nonprofit cofounded by the conservative Koch brothers that helped organize the tea party movement in Wisconsin and elsewhere.

It was through Americans for Prosperity that Block met Cain and encouraged him to run for national office. Block's role with the Cain campaign became a point of national interest in the past week when a bizarre online campaign ad featuring the chain-smoking Wisconsin operative went viral.

In recent years, Block spun off a handful of organizations from Americans for Prosperity, most of them incorporating "prosperity" in the name. Officials with Americans for Prosperity emphasize that these other groups were legally separate from their organization.

The largest group founded by Block was called **Wisconsin Prosperity Network**, which was supposed to be an umbrella organization that would spend more than \$6 million a year underwriting a dozen or so other conservative groups in the hopes of turning the state red.

In the 2008 incorporation papers, Block is listed as the president of Wisconsin Prosperity Network, which was set up as a tax-exempt nonprofit group. That means the charitable organization cannot have direct political involvement. Hansen was the group's executive director.

Last year, Block started up Prosperity USA, another tax-exempt charitable group for which Block appeared to be the sole board member. Again, Hansen handled the day-to-day operations.

Insiders familiar with the groups say the two groups were closely linked and raised hundreds of thousands of dollars from prominent conservatives around the state. One supporter, who asked that his name not be used because he still supports Cain and other conservatives, said he and many others were deeply upset with the groups - and Hansen, in particular - for failing to use the money for its intended purposes.

Internal financial records show both organizations were operating in the black during the first half of 2010.

But by early this year, expenses were far outpacing income at the two entities. Balance sheets showed Wisconsin Prosperity Network was more than \$62,000 in the hole by early February; Prosperity USA was in even worse shape, with its liabilities exceeding its assets by \$110,000.

In fact, the records indicate Prosperity USA's biggest asset was nearly \$40,000 that it was owed by "FOH," a reference to **Friends of Herman Cain**, the name of Cain's presidential operation.

A more detailed checking account says the Cain campaign owed nearly \$15,000 for an "Atlanta invoice," about \$17,000 for chartered flight service and \$5,000 for travel and meetings in Iowa, Las Vegas, Houston, Dallas and Louisiana. The document says the Cain campaign had been billed \$3,700 for iPads purchased on Jan. 4.

A series of small-ticket items for travel and expenses by Block are listed as "not billed to FOH but due from them."

The national election expert who works with GOP candidates said it would be a violation of the tax code for Prosperity USA to advance money to the Cain campaign for these items. She said there also are strict federal election regulations on reporting debts and incurring travel obligations.

"I just don't see how they can justify this," she said. "It's a total mess."

The records suggest that Prosperity USA had been underwriting travel for Cain even before he announced his plans to run for president.

For instance, one document says the group was to be paid \$5,000 for the costs associated with Cain's speech in September 2010 to the conservative **Right Nation** rally in Chicago, an event that the records say Cain attended at the request of Americans for Prosperity. The Cain campaign later used a segment from that speech in a campaign ad.

Along with these expenses, the internal records note Prosperity USA paid for such items as Block's trip to Washington, D.C., to meet with billionaire philanthropist **David Koch**. Singer **Krista Branch**, who recorded "I Am America," the unofficial anthem of the tea party movement, was supposed to be paid \$3,000 by the Wisconsin group.

Cain has adopted the tune as his campaign song. Branch's husband, **Michael**, who wrote the song, has been paid \$11,250 in his role as the Cain campaign's Tennessee director and \$7,360 as a fundraising consultant.

More intriguing, the records show Prosperity USA received \$150,000 in loans from individuals who could not be identified.

Sources familiar with the group say Hansen paid much of the loan money earlier this year to the Congress of Racial Equality, a former civil rights organization that now promotes conservative causes. In mid-January, Cain was a featured speaker at the group's annual awards dinner, which was hosted by controversial conservative blogger **Andrew Breitbart**.

The Congress of Racial Equality is headed by **Niger Innis**, who did not return calls last week. He and his father, **Roy Innis**, made several appearances at Wisconsin tea party events in the past.

Several board members for Prosperity USA and Wisconsin Prosperity Network resigned from the organization when they learned after the fact that Hansen had borrowed this money and donated much of it to the conservative group, according to insiders.

In the summer, the attorney for the two groups, **Michael Dean**, resigned as the registered agent for Wisconsin Prosperity Network in a letter filed with the state Department of Financial Institutions. Sources say he also contacted the Internal Revenue Service regarding the group's application for tax-exempt status.

Reached at home last week, Dean declined to comment.

Even though there is little or no evidence that the Wisconsin Prosperity Network is still functioning, the group is one of the listed litigants in a case currently before the state Supreme Court.

The trail of red ink left by Block and Hansen, however, extends beyond the private entities they founded.

Several conservatives say the state chapter of Americans for Prosperity was left with a stack of unpaid invoices totaling tens of thousands of dollars when Block officially left the organization at the start of the year.

Matt Seaholm, who replaced Block as the director of the state chapter, declined to discuss the group's finances.

"I'll leave that to the national office," Seaholm said.

A spokesman for Americans for Prosperity in Virginia did not return calls Friday.

Contact **Daniel Bice** at (414) 224-2135 or dbice@journalsentinel.com. Follow him on Twitter @NoQuartern.

210 Comments

Read and share your thoughts.

388

Login | Register

Privacy Policy | Terms of Use
© 2011, Journal Sentinel Inc.



11/01/2011 11:00:00 AM

14-00000-1

EXHIBIT 4

XXXXXX

Prosperity USA, Inc.
Profit & Loss
January through June 2010

Prosperity USA, Inc.
Profit & Loss
January through June 2010

	Jan - Jun 10
Income	
4340 - Direct Public Support	
4340-03 - Individual Contributions	2,000.00
Total 4340 - Direct Public Support	2,000.00
4400 - Grants	63,800.00
4500 - Investments	
4500-01 - Interest-Savings, Short-Term CD	1.00
Total 4500 - Investments	1.00
Total Income	67,801.00
Expenses	
6010 - Compensation and wages-other	1,354.00
6070 - Payroll taxes	
6070-01 - FICA expense	161.40
Total 6070 - Payroll taxes	161.40
6200 - Fees for services	
6200-00 - Other services	670.00
6200-07 - Utility fees	17.00
6200 - Fees for services - Other	91.00
Total 6200 - Fees for services	768.00
6300 - Office expenses	
6300-01 - Books, Subscriptions, Reference	308.00
6300-02 - Postage, Mailing Service	33.00
6300-03 - Printing and Copying	204.22
6300-04 - Supplies	813.85
6300-05 - Computer supplies	334.94
Total 6300 - Office expenses	1,765.02
6400 - Travel and Meetings	37,771.00
6500 - Event expenses	14,447.00
6600 - Business license & fees	20.00
6700 - Mileage & reimbursement	638.00
Total expenses	65,981.40
Net Income	11,819.60

Actual Cash

Prosperity USA, Inc.
Balance Sheet
As of June 30, 2010

Prosperity USA, Inc.
Balance Sheet
As of June 30, 2010

	Jun 30, 10
ASSETS	
Current Assets	
Checking/Savings	
1000 - Landmark Credit Union	10,103.10
1100 - Landmark Credit Union - savings	6.00
Total Checking/Savings	10,109.10
Total Current Assets	10,109.10
TOTAL ASSETS	10,109.10
LIABILITIES & EQUITY	
Equity	
Not Income	10,109.10
Total Equity	10,109.10
TOTAL LIABILITIES & EQUITY	10,109.10

Actual Basis

Prosperity USA, Inc.
Balance Sheet
As of February 2, 2011

Prosperity USA, Inc.
Balance Sheet
As of Feb. 2, 2010

ASSETS

Current Assets

Checking/Savings

1000 - Landmark Credit Union

8,768.74

1100 - Landmark Credit Union - savings

5.00

Total Checking/Savings

8,774.74

Other Current Assets

1400 - Due from FOH

37,372.41

1600 - Deposits

566.76

Total Other Current Assets

37,941.16

Total Current Assets

47,715.90

Fixed Assets

1500 - Equipment

1,921.68

1550 - Accumulated depreciation

-112.10

Total Fixed Assets

1,809.58

TOTAL ASSETS

49,525.48

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

2000 - Accounts Payable

7,939.77

Total Accounts Payable

7,939.77

Other Current Liabilities

2300 - Due to other

150,000.00

2400 - Payroll Liabilities

2400-01 - Federal withholding

442.00

2400-02 - Wisconsin withholding

300.32

2400-03 - Social Security Employee wh

210.00

2400-04 - Medicare employee wh

72.50

2400-06 - FUTA liability

40.00

2400-08 - SUTA liability

180.00

2400-07 - Social security employer

310.00

2400-08 - Medicare employer

72.50

Total 2400 - Payroll Liabilities

1,833.32

Total Other Current Liabilities

151,833.32

Total Current Liabilities

159,873.09

Total Liabilities

159,873.09

Equity

3200 - Unrestricted Net Assets

-13,193.64

Net Income

-88,853.77

Total Equity

-110,047.61

TOTAL LIABILITIES & EQUITY

49,525.48

PUSA (APN) /checking Account
2/10/2011

Balance per Bank 2/10/2011 8,679.12 available balance

Outstanding checks

#1063 Krista Branch mailed 2/8/11 (1,500.00)
2/15/11 payroll \$1984.59 net pay, \$553.941 pmt, \$153.16 WI w/h, \$20 futa, \$90 suta (2,801.00)
2/28/11 Payroll \$1984.59 net pay, \$553.941 pmt, \$153.16 WI w/h, \$20 futa, \$90 suta (2,801.00)
Balance 2/10/2011 1,577.22

Accounts Payable

Pay Connect Invoices 1000 from 2/19/10 - check originally bounced, wasn't re-outlined (1,341.67) A/P

Krista Branch pd \$1500 of \$3000 - don't know if we still owe \$1500 (1,500.00) a/p

Linda Hansen expense reports for 2010 (42.15) s/p

Loans payable (Marek & O'Keefe) (150,000.00) booked

Mina Dean (3,555.95) a/p

Prep of Form 1023? (5,000.00)

Cash Balance (159,862.55)

Future Invoices

Future cash available 2/10/2011 (159,862.55)

A/R

From AFP - H. Cain travel - Hill Aircraft

Receivable from other states - Toomey Invoices

Norther MI Liberty Alliance 3,200.00

Florida AFP Titusville, Orlando, Tampa Bay SRT 3,700.00

Arkansas SRT Little Rock, Jonesboro 3,500.00

RightNation 5,000.00

AFP Oklahoma

Mark trip to DC to meet w/ Tim Phillips & David Koch

0 Will not receive

1362.8 681.4 X 2

2246.8 1123 X 2

5,000.00 Herman Cain attended at request of AFP

2,547.80 Actual cost

291.80

Due from POH:

Atlanta Invoice 002

14,779.25

Hill Aircraft Invoice 002

16,669.94

Travel & meetings IA, LA, Las Vegas, Houston-Dallas Invoice #001

5,900.32

Not billed to FOH yet, but due from them:

1/7/2011 Mark Block Charge to Mini Mart West Alls

23.02 Mark may repay

1/3/2011 Mark Block flight change fee Delta Air

79.70 Mark may repay

1/4/2011 Invoice for Ipads

3,764.14 emailed to Scott, Mark

12/28/10 Mark Block Delta Air

150.00 Mark may repay

Projected cash balance

(107,046.98)

Savings

5.00

Krista Branch
Some Dr. Travel

Estimate

Estimate

(775.00)

Balance

3/9/2011

845.05

Accounts Payable

Buy Canned: Cansize 1250 from 7/19/10 - check originality balanced, wasn't as complicated

(1,341.67) A/P

Loans payable (Morek & O'Kearf)

(128,500.00) booked

Mike Bean

• (3,555.95) a/p

Prop of Form 1029?

(5,000.00)* not booked

Cash Balance

(135,551.57)

A/R

Duo fraai FON:

Atlanta Invoice 002

14,779.25

1000 Aircraft Invoice 002

16,659,94

Travel & meetings LA, LA, Las Vegas, Houston-Dallas Invoice #001

5,900,92

1/4/2011 invoice for iPad's

3,764.14 emailed to Scott, Mark

41,113.65 Total due from FOM

Not billed to FOM yet, but due from them:

1/7/2011 Mark Black Charge to Mfr/ Mart West Allis

23.02 Mark my paper

Reviewed Mark 2/19/13

After breakfast

1/3/2011 Mark Block flight change for Delta Air south of 448249 on 12/31/10

79.70 Mail secretary

Revised 16 March 2/15/11

Not Docked

12/28/10 Mark Black Delta Ave

150.00 Mark may/may

Revised Mark 2/13/11

Not broken

252.72 Due from Mark Black

Projected cash balance

(94,183,20)

Savings

5.00